

GENERAL ASSEMBLY OF NORTH CAROLINA



Session 2011

FISCAL ANALYSIS MEMORANDUM

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DATE: May 16, 2011

TO: Senators Rucho, Hartsell, and Apodaca

FROM: Andrea Poole
Fiscal Research Division

RE: Senate Bill 685 (Version 2)

FISCAL IMPACT					
	Yes (x)	No ()	No Estimate Available ()		
	<u>FY 2011-12</u>	<u>FY 2012-13</u>	<u>FY 2013-14</u>	<u>FY 2014-15</u>	<u>FY 2015-16</u>
General Fund					
REVENUES:	0	0	0	0	0
EXPENDITURES:	\$(107,142)	\$(114,563)	\$(122,459)	\$(129,028)	\$(134,584)
POSITIONS					
(cumulative):	(1.00)	(1.00)	(1.00)	(1.00)	(1.00)
Commercial Education Fund					
REVENUES:					
EXPENDITURES:	No estimate available. See Assumptions and Methodology.				
POSITIONS					
(cumulative):					
PRINCIPAL DEPARTMENT(S) & PROGRAM(S) AFFECTED: NC Community College System					
EFFECTIVE DATE: Sections 1-9 are effective January 1, 2012. Section 10 is effective July 1, 2011. The remainder of this act is effective when it becomes law.					

BILL SUMMARY:

Currently, the State Board of Community Colleges, acting by and through the President of the Community College System, has the authority to administer and enforce provisions regarding proprietary schools and to issue licenses to proprietary schools. Section 1 of Senate Bill 685 will create the State Board of Proprietary Schools (SBPS) in the North Carolina Community Colleges System (NCCCS) to oversee the licensing of proprietary schools in the State. It further creates the Office of the State Board of Proprietary Schools, which will be the principal administrative unit under SBPS. The SBPS will have the authority to hire an executive director and staff, or to contract these functions to an outside consultant. Compensation and operating expenses will be supported from funds provided from fees paid to the Commercial Education Fund, as established in G.S. 115D-92. The SBPS will provide the State Board of Community Colleges with written recommendations concerning applicants for licenses and annual renewal applications for licenses, as well as reporting annually to the State board.

Sections 2-9 of the bill make conforming change in the Article on Proprietary schools.

Section 10 directs that, effective July 1, 2011, two positions in the Community Colleges System Office of Proprietary Schools shall be terminated.

Section 11 directs that appointments to the SBPS be made within 30 days of the effective date of this act.

ASSUMPTIONS AND METHODOLOGY:**General Fund**

Currently, the Proprietary Schools office within the NC Community Colleges System Office has three positions. Two of these three positions are currently receipt supported, and the third is supported by the General Fund. According to the Community Colleges System Office, if this bill were to become law, the General Fund position and one receipt supported position would be eliminated, shifting the proprietary school program entirely to receipt support. Savings to the General Fund from the elimination of the position would be \$107,142 and 1 position in FY 2011-12. The table below shows the net savings from FY 2011-12 to FY 2015-16.

	FY 2011-12	FY 2012-13	FY 2013-14	FY 2014-15	FY 2015-16
Positions	(1.00)	(1.00)	(1.00)	(1.00)	(1.00)
Salaries and Benefits	\$ (101,492)	\$ (108,740)	\$ (116,463)	\$ (122,883)	\$ (128,286)
Operating	\$ (5,650)	\$ (5,822)	\$ (5,996)	\$ (6,145)	\$ (6,298)
Total	\$ (107,142)	\$ (114,563)	\$ (122,459)	\$ (129,028)	\$ (134,584)

Commercial Education Fund

It is not possible to estimate the impact to the Commercial Education Fund. The budget of the SBPS and the Office of Proprietary schools would be supported by funds provided by fees deposited in the fund. The impact to the fund would come from the cost of operations of the newly created SBPC and any changes in staffing costs.

At a minimum, the establishment of the SBPC is estimated to increase requirements to the Fund by \$7,331 in FY 2012-13 (SBPC's first full year of operations), assuming standard subsistence and travel reimbursement amounts for each of the seven members for a minimum of four meetings per year. However, it is not possible to estimate the changes in staffing costs. Currently, two of the three positions are funded from Fund receipts (total of \$135,903). This bill would eliminate one of these positions, effective July 1, 2011. However, the bill grants the SBPC the authority to hire additional staff or contract out staff functions entirely.

SOURCES OF DATA: Summary of Senate Bill 685, Research Division of the NC General Assembly; Community Colleges System Office; Moody's economy.com.

TECHNICAL CONSIDERATIONS: House Bill 200, Version 4 (Appropriations Act of 2011) shifts the one General-Fund-supported position to receipt support, and takes a corresponding reduction in the General Fund budget. If this reduction were to become law, there would be no impact of this bill to the General Fund.